

## Alcohol and Tobacco Tax and Trade Bureau, Treasury

§ 19.957

(c) By a report covering the discontinued operations (the report shall be marked "Final Report").

(Sec. 201, Pub. L. 85-859, 72 Stat. 1349, as amended, 1370, as amended (26 U.S.C. 5172, 5271); sec. 232, Pub. L. 96-223, 94 Stat. 278 (26 U.S.C. 5181))

### SUSPENSION OR REVOCATION OF PERMITS

#### § 19.950 Suspension or revocation.

Whenever the regional director (compliance) has reason to believe that any person holding an alcohol fuel producer's permit—

(a) Has not in good faith complied with the applicable provisions of 26 U.S.C. Chapter 51, or regulations issued thereunder; or

(b) Has violated conditions of the permit; or

(c) Has made any false statements as to any material fact in the application therefor; or

(d) Has failed to disclose any material information required to be furnished; or

(e) Has violated or conspired to violate any law of the United States relating to intoxicating liquor or has been convicted of any offense under Title 26, U.S.C. punishable as a felony or of any conspiracy to commit such offense; or

(f) Has not engaged in any of the operations authorized by the permit for a period of more than 2 years; the regional director (compliance) may institute proceedings for the revocation or suspension of the permit in accordance with the procedures set forth in 27 CFR part 71.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1370, as amended (26 U.S.C. 5271))

### BONDS

#### § 19.955 Bonds.

An operations bond is required for medium and large plants. The bond will be executed, in duplicate, on Form 5110.56. Surety bonds may be given only with corporate sureties holding certificates of authority from, and subject to the limitations prescribed by, the Secretary as set forth in the current revision of Treasury Department Circular 570. However, in lieu of corporate surety the proprietor may pledge and deposit as surety for his bond, securities

which are transferable and are guaranteed as to both interest and principal by the United States, in accordance with the provisions of 31 CFR part 225. The regional director (compliance) will not release such securities until liability under the bond for which they were pledged has been terminated.

(Sec. 805(c), Pub. L. 96-39, 93 Stat. 276 (26 U.S.C. 5173); CH. 390, Pub. L. 80-280, 61 Stat. 648, 650 (31 U.S.C. 9301, 9303, 9304, 9306); sec. 232, Pub. L. 96-223, 94 Stat. 278 (26 U.S.C. 5181))

#### § 19.956 Amount of bond.

The penal sum of the bond is based on the total quantity of distilled spirits to be produced (including receipts) during a calendar year. If the level of production and/or receipts at the plant is to be increased, and the bond is not in the maximum penal sum, a new or strengthening bond shall be obtained.

(a) *Medium plants.* A medium plant which will produce (including receipts) between 10,000 and 20,000 proof gallons of spirits per year requires a bond in the amount of \$2,000. For each additional 10,000 proof gallons (or fraction thereof), the bond amount is increased \$1,000. The maximum bond for a medium plant is \$50,000.

(b) *Large plants.* The minimum bond for a large plant is \$52,000 (more than 500,000, but not more than 510,000 proof gallons annual production (including receipts)). For each additional 10,000 (or fraction) proof gallons, the amount of the bond is increased \$2,000. The maximum bond for a large plant is \$200,000 (more than 1,240,000 proof gallons).

(Sec. 805(c), Pub. L. 96-39, 93 Stat. 276 (26 U.S.C. 5173); sec. 232, Pub. L. 96-223, 94 Stat. 278 (26 U.S.C. 5181))

#### § 19.957 Instructions to compute bond penal sum.

(a) *Medium plants.* To find the required amount of your bond, estimate the total proof gallons of spirits to be produced and received in a calendar year. The amount of the bond is \$1,000 for each 10,000 proof gallons (or fraction), subject to a minimum of \$2,000 and a maximum of \$50,000. The following table provides some examples:

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**ANNUAL PRODUCTION AND RECEIPTS IN PROOF  
GALLONS**

More than	But not over	Amount of bond
10,000 .....	20,000	\$2,000
20,000 .....	30,000	3,000
90,000 .....	100,000	10,000
190,000 .....	200,000	20,000
490,000 .....	500,000	50,000

(b) *Large plants.* To find the required amount of your bond, estimate the total proof gallons of spirits to be produced and received in a calendar year. The amount of the bond is \$50,000 plus \$2,000 for each 10,000 proof gallons (or fraction) over 500,000. The following table provides some examples:

**ANNUAL PRODUCTION AND RECEIPTS IN PROOF  
GALLONS**

More than	But not over	Amount of bond
500,000 .....	510,000	\$52,000
510,000 .....	520,000	54,000
740,000 .....	750,000	100,000
990,000 .....	1,000,000	150,000
1,240,000 .....	.....	200,000

(Sec. 805(c), Pub. L. 96-39, 93 Stat. 276 (26 U.S.C. 5173); sec. 232, Pub. L. 96-223, 94 Stat. 278 (26 U.S.C. 5181))

**§ 19.958 Conditions of bond.**

The bond shall be conditioned on payment of all taxes (including any penalties and interest) imposed by 26 U.S.C. Chapter 51, on compliance with all requirements of law and regulations, and on payment of all penalties incurred or fines imposed for violations of any such provisions.

(Sec. 805(c), Pub. L. 96-39, 93 Stat. 276 (26 U.S.C. 5173); sec. 232, Pub. L. 96-223, 94 Stat. 278 (26 U.S.C. 5181))

**§ 19.959 Additional provisions with respect to bonds.**

Subpart H of this part contains further provisions applicable to bonds which, where not inconsistent with this subpart, are applicable to bonds of alcohol fuel plants.

**CONSTRUCTION, EQUIPMENT AND  
SECURITY**

**§ 19.965 Construction and equipment.**

Buildings and enclosures where distilled spirits will be produced, proc-

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essed, or stored shall be constructed and arranged to enable the proprietor to maintain security adequate to deter diversion of the spirits. Distilling equipment shall be constructed to prevent unauthorized removal of spirits, from the point where distilled spirits come into existence until production is complete and the quantity of spirits has been determined. Tanks and other vessels for containing spirits shall be equipped for locking and be constructed to allow for determining the quantities of spirits therein.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1353, as amended (26 U.S.C. 5178))

**§ 19.966 Security.**

Proprietors shall provide security adequate to deter the unauthorized removal of spirits. The proprietor shall store spirits either in a building, a storage tank, or within an enclosure, which the proprietor will keep locked when operations are not being conducted.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1353, as amended (26 U.S.C. 5178); sec. 806, Pub. L. 96-39, 93 Stat. 279 (26 U.S.C. 5202))

**§ 19.967 Additional security.**

If the regional director (compliance) finds that security is inadequate to deter diversion of the spirits, as may be evidenced by the occurrence of break-ins or by diversion of spirits to unauthorized purposes, additional security measures may be required. Such additional measures may include, but are not limited to, the following:

- (a) The erection of a fence around the plant or the alcohol storage facility;
- (b) Flood lights;
- (c) Alarm systems;
- (d) Watchman services; or,
- (e) Locked or barred windows.

The exact additional security requirements would depend on the extent of the security problems, the volume of alcohol produced, the risk to tax revenue, and safety requirements.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1353, as amended (26 U.S.C. 5178); sec. 806, Pub. L. 96-39, 93 Stat. 279 (26 U.S.C. 5202))